

## Message Text

CONFIDENTIAL POSS DUPE

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 SWF-02 SP-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

COME-00 CIAE-00 DODE-00 INR-11 NSAE-00 PA-04 USIA-15

PRS-01 L-03 TAR-02 DRC-01 /156 W

----- 012012

R 082330Z AUG 74

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 3935

INFO AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY PANAMA

AMEMBASSY BOGOTA

AMEMBASSY QUITO

C O N F I D E N T I A L GUATEMALA 4294

E.O. 11652: GDS

TAGS: ETRD, GT

SUBJECT: GOG PLANS TO ADOPT BANANA EXPORT TAX

1. MINECON PALOMO TOLD AMBASSADOR IN "CONFIDENCE" AUG. 7 THAT GOG FINALLY HAD DECIDED TO PRESS AHEAD WITH BANANA EXPORT TAX. PALOMO EXPLAINED THAT (1) GOG WAS FACING EVER INCREASING FISCAL NEED, (2) WAS UNDER GREAT PRESSURE FROM OTHER CAS TO IMPLEMENT BANANA EXPORT TAX SCHEME AND (3) WAS UNDER EMBARRASSING PRESSURE FROM OPPOSITION IN CONGRESS TO ACT. HE SAID THAT GOG WOULD BE "REASONABLE" IN NEGOTIATING WITH DEL MONTE AND HOPED CONFRONTATION SITUATION COULD BE AVOIDED.

2. AMBASSADOR ATTEMPTED TO HEAD OFF PALOMO BY FIRST NOTING APPARENT DISARRAY AMONG OTHER EXPORTER COUNTRIES INVOLVED IN SCHEME AND THEN BY EXPRESSING OPINION THAT GOG'S PREVIOUS  
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WAIT AND SEE POLICY WAS A WISE ONE. HE SUGGESTED THAT UNLESS ECUADOR FULLY AND ADEQUATELY INVOLVED IN SCHEME, WHICH NOT

NOW EVIDENT, THOSE COUNTRIES IMPLEMENTING TAX, INCLUDING GUATEMALA, COULD END UP HEAVY LOSERS. PALOMO REPLIED THAT HE WAS AWARE OF PROBLEM ENCOUNTERED BY OTHER CAS AND PANAMA BUT ALSO SAID HE UNDERSTOOD ECUADOR WAS NOW COOPERATING.

3. COMMENT: GOG IS NOW IN MIDST OF PREPARING SHORT-TERM ECONOMIC DEFENSE PLAN PROMISED BY LAUGERUD. ONE ASPECT OF PLAN HAS TO COPE WITH ANTICIPATED LARGE FISCAL DEFICIT (REPORTEDLY \$50 MILLION) WHICH IS RESULTING FROM COST OVER RUNS(LARGELY RELATED TO PETROLEUM PRICE INCREASES) AND FROM DECISIONS MADE LATE IN ARANA ADMINISTRATION TO SUBSIDIZE BUS FARES, BASIC GRAIN SALES, POWER RATES, ETC. WE THINK THAT THIS CONCERN WHICH IS DOMINATING GOG THINKING AT THE MOMENT HAS CAUSED THEM TO DEPART FROM PREVIOUS CAUTIOUS BANANA POLICY. NOTWITHSTANDING PALOMO'S ASSERTION THAT GOG WILL PRESS AHEAD WITH SCHEME, HOWEVER, WE ALSO THINK THAT IF EFFORTS OF OTHER PRODUCER COUNTRIES CONTINUE TO MEET WITH LITTLE SUCCESS, GUATEMALA WILL NOT LEAP INTO HEART OF THE FRAY(ALTHOUGH IT MAY DABBLE ITS TOES OVER THE EFGE). PALOMO AND HIS CHIEF ADVISORS ARE, IF ANYTHING, REALISTS. THEY WILL ATTEMPT PREVENT ISSUE FROM BECOMING A NATIONALIST CAUSE CELEBRE. MELOY

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CUSTOMS DUTIES, BANANAS, NEGOTIATIONS, OPPOSITION PARTIES, CENTRAL LEGISLATURE, INTERGOVERNMENTAL COOPERATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 AUG 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974GUATEM04294  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740217-0923  
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**Line Count:** 83  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 APR 2002 by golinofr>; APPROVED <25 APR 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOG PLANS TO ADOPT BANANA EXPORT TAX  
**TAGS:** ETRD, GT, EC, US, (PALAMO)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005